In the Matter of:	) Docket No. 03-IEP-01,
Informational Proceedings and	) 02-REN-1038, 03-RPS-1078,
Preparation of the 2004	) and 04-DIST-GEN-1
Integrated Energy Policy Report Update	)

Comments of
Northern California Power Agency
On Draft Staff White Paper
On Accelerated Renewable Energy Development

The Northern California Power Agency (NCPA) appreciates the opportunity to comment on the California Energy Commission (CEC) Staff White Paper on Accelerated Renewable Development (white paper). NCPA is a publicly owned joint powers agency whose members include: Alameda, Biggs, Gridley, Healdsburg, Lassen MUD, Lodi, Lompoc, Palo Alto, Port of Oakland, Plumas-Sierra Rural Electric Cooperative, Redding, Roseville, Santa Clara, Truckee Donner PUD, Turlock Irrigation District, and Ukiah. NCPA's comments are directed at publicly owned utilities' renewable development activities, the role of large hydro in their Renewable Portfolio Standard (RPS) policies, the absence in the white paper of any consideration of the relationship between energy efficiency and demand reduction and renewable resource development, and the CEC staff's proposal that legislation be enacted to require publicly owned utilities to be regulated as to renewable energy development.

Publicly Owned Utilities' Renewable Development Activities

The white paper acknowledges (p. 2) that publicly owned electric utilities have made significant progress implementing RPS programs, and notes that these programs differ significantly from the RPS programs of investor-owned utilities (IOUs). The report erroneously suggests that "few publicly-owned utilities have adopted an accelerated RPS program," and that the inclusion of large hydropower as a renewable energy resource "reduces the significance of the 20 percent target for new renewable energy development." NCPA and its members respectfully disagree with these comments.

NCPA began its accelerated RPS program in 1968, when NCPA was formed. Its focus has historically been on development of non-fossil renewable resources: geothermal and hydro. NCPA's resource base is 96.8% renewable including large hydropower, and 64.1% renewable excluding large hydropower. These resources are reflected in the current power content label figures for NCPA member utilities (see p. 28), which in terms of the 20 percent target, with or without *large hydropower*, and whether for 2010 or 2017, are exemplary. In addition, a recent FitchRatings report on NCPA acknowledges the strategic value and importance of NCPA's "green/renewable" generating projects.

With respect to PV, publicly owned utilities are doing their part. The white paper (p. 18) notes that total PV in the state is about 80 MW. Of this 80 MW, publicly owned utilities have developed over 22 MW or about 28% of the total. This compares favorably with publicly owned utilities' share of statewide energy consumption of approximately 25%. Publicly owned utilities' development of PV generation has been done without explicit state mandates under a variety of programs in diverse utilities and communities. This statistic clearly shows the benefit of local programs devised under the leadership of local governing boards.

NCPA and its members are continuing to work on renewable energy development. Every NCPA member has adopted an RPS policy, except for Lassen MUD, whose RPS policy is in process. The attached status report summarizes this work on a member-by-member basis. In addition, NCPA is assisting several of its members through a coordinated renewable resource RFP effort that has been ongoing for the past year and one-half.

NCPA and its member utilities place a high value on their ability to be flexible and to pursue programs that have the support of their locally elected governing boards and customers. In meeting the needs of its members, whose customer counts range from a few hundred up to a hundred thousand (compared to PG&E's four million or so customers), NCPA has firsthand experience that a "one size fits all" approach to energy resource and energy efficiency development is likely to be inefficient and ineffective. For the smaller utilities that comprise the NCPA membership, local problems matter, and locally developed solutions are called for. It is for reasons like this that the various approaches of NCPA members to RPS policy development and implementation are in fact different. But this difference in no way affects NCPA members' longstanding and shared commitment to renewable energy and avoidance of over-commitment to fossil fuel generation.

The True Significance of Large Hydropower Inclusion in NCPA Members' RPS Policies

NCPA members have generally included large hydropower as a renewable resource in their RPS policies for the simple reason that hydropower, whether more than 30 megawatts or less than 30 megawatts, is *renewable*. Moreover, NCPA continues to make investments in its hydroelectric facilities to improve operating efficiency and to increase the generation of clean non-emitting resources in our state. The real issue is whether inclusion of hydropower reduces the significance of the 20 percent target for new renewable energy development cited in the white paper, as asserted by CEC staff. For NCPA and its members, nothing could be further from the truth. The customers of publicly owned utilities and the local elected officials who govern utilities are just as interested in renewable energy development as state-level policymakers, if not more so. Further, like IOU customers, publicly owned utilities' customers are confronted with the cost volatility that afflicts natural gas-fired generation, and are looking to renewable energy and energy efficiency and demand reduction to avoid or mitigate that volatility. These realities are what drive (since 1968) NCPA members' renewable development efforts – not some arbitrarily selected percentage or year of attainment.

A similar logic applies with respect to CEC staff's fear that publicly owned utilities would use large hydropower RECs (if such were to exist) as a method to attain renewable targets under their individual RPS policies, or that they would sell their "excess" eligible renewables and rely on large hydropower to meet their renewable targets. The reality is that large hydropower is a low-cost, environmentally preferred resource. Publicly owned utilities are not in the business of selling off energy from their low-cost, customer-owned resources in order to replace that energy with volatile, higher-cost resources. And, because the purchase of theoretical large hydropower RECs would not affect a "non-attainment" utility's gas cost volatility profile that utility would still need to develop new renewable resources to mitigate gas cost volatility.

The Relationship Between Renewable Development and Energy Efficiency Programs

NCPA strongly believes that renewable generation development must be coordinated with energy efficiency and demand reduction programs. Nowhere does the white paper address this issue. NCPA believes that resource development dollars should go to the most cost-effective and best use. NCPA and its members have a fiduciary responsibility to their customers. If resource development dollars are more effectively spent on demand or energy reduction, then those dollars should be spent there. By focusing on renewable development in the white paper without asking the "how much" question about renewable development, the CEC is at serious risk of condoning inefficient resource allocation.

CEC Staff Legislative Proposal Recommendation

The CEC staff proposes (p. 30) that legislation be enacted to require publicly owned utilities to meet the RPS goal of 20% of retail electricity sales by 2010, and to comply with the definitions of renewable energy in SB 1038 and SB 1078. As noted earlier, NCPA objects to this proposal. NCPA and its members support overall renewable development objectives, and believe strongly that the actions of their locally elected officials are the best way to achieve those objectives. Regulation is appropriate when societal or market objectives are <u>not</u> being achieved. NCPA has shown that it and its member utilities have worked diligently on renewable development since NCPA's inception, and continue to do so. Thus, the regulation of publicly owned utilities proposed by the CEC staff with respect to renewable development is not justified.

Conclusions

NCPA is a longstanding leader in renewable development. Publicly owned utilities are responding proactively and responsibly to state and local interests in renewable development. The CEC should not encourage legislation that would change publicly owned utilities' RPS responsibilities. Such legislation is not needed or justified. The fact that many publicly owned utilities have included large hydropower in their RPS policies has no practical impact on their need to develop new renewable resources to mitigate the cost volatility of gas-fired resources. The CEC should not be pursuing renewable development to the exclusion of demand and energy reduction.

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Respectfully submitted,

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NCPA Membership	Renewable Resources – Status	Linked to PBC Programs?
Alameda RPS Policy: 01/27/03	*Renewable Resources*: 80% from renewable resources: 50% from NCPA geothermal and 25% from hydroelectric *plants, plus 4 kW by a AP&T solar photovoltaic system. (NCPA Power Pool Member)* *Programs*: <u>Clean Future Fund Program</u>. For an additional penny per kWh, customers can invest in the Clean Future Fund; all contributions go to fund new renewable resources. <u>Solar Buy-Back Program</u>: AP&T buys back excess solar energy 10kw or less for customers who use photovoltaic (PV) solar cell source on own premises. *Under Development*. AP&T and Palo Alto are in final negotiations with NCPA to develop a landfill gas and wind generation project. The city is actively pursuing other renewable resources, such as wind and solar photovoltaic.	Not stated directly in policy.
Biggs RPS Policy: 05/19/03	*Renewable Resources*: 79% derived from NCPA geothermal plants and hydroelectric facilities. Additional potential through NCPA to share in ownership of a qualifying facility. Purchase or construction of qualifying resources will be accomplished through Public Benefit Funds. (NCPA Power Pool Member)	Yes – Stated in Policy
Gridley RPS Policy: 03/17/03	*Renewable Resources*: 77% derived from NCPA geothermal plants (10%) and hydroelectric facilities. Additional potential through NCPA to share in ownership of a qualifying facility. (NCPA Power Pool Member) *Under Development*: Gridley is in the process of implementing solar and geothermal demonstration projects using Public Benefit Funds. Gridley housing stock is expected to increase 25% in the next 10 years. Demo projects installed in some of the 450 projected new homes "will provide ample RPS qualifying resources."	Yes – Stated in Policy
Healdsburg RPS Policy: Apr 04	Renewable Resources: 85% from NCPA geothermal and hydroelectric plants. (NCPA Power Pool Member) *Under Development/Consideration*: Solar – PV residential and commercial program under consideration.	n/a
Lassen MUD RPS Policy: In Process	*Renewable Resources*: 32% (NCPA Associate Member) *Under Development/Consideration*: Considering participating in a wind project.	n/a
Lodi - RPS Policy: Apr 03;	*Renewable Resources*: 56% - Lodi currently receives most of its power from renewable resources. More than 25% comes from NCPA geothermal plants. Additional potential through NCPA to share in ownership of a qualifying facility. Approximately 21% comes from "large" hydroelectric plants. (NCPA Power Pool Member) *Under Development*: Small scale solar demo underway (city & residential); may implement full program.	Yes – Stated in Policy,
Lompoc - RPS Policy: May 03	*Renewable Resources*: 32% derived from renewable resources. In addition, Lompoc seeks to add 1% per year of renewable generation to the city's generation portfolio until 20% is reached through plant ownership or contract. Additional potential through NCPA to share in ownership of a qualifying facility. (NCPA Power Pool Member) *Under Development/Consideration*: Solar demonstration on commercial and residential PV installation.	Yes – Stated in Policy

Palo Alto (CPAU) RPS Policy: 10/01/02	*Renewable Resources*: 5% - In October 2002, Palo Alto proposed a Long-Term Electric Acquisition Plan (LEAP) under which the city developed a voluntary "green" rate to select an increased content of renewable energy. PA also invests in new renewable resources to meet the city's sustainability goals, ensuring that the retail rate impact does not exceed $0.5/kwh. (NCPA Power Pool Member) *Programs*: PaloAlto**Green** Program - Electric customer buy 100% renewable energy for a small additional cost of 1.5 cents per kilowatt-hour (kWh). Green program energy supplied by wind farms and solar installations. PV Partner Program - CPAU offers incentives to make installing and generating PV systems more affordable. *Under Development*: AP&T and Palo Alto are in final negotiations with NCPA to develop a landfill gas and wind generation project. Palo Alto is pursuing target level of new renewable purchases of 10% of the expected portfolio load by 2008 and move to a 20% target by 2015, pending economic viability. The contracts for investment in renewable resources are not to exceed 30 years in term.	Yes – Stated in Policy
Port of Oakland RPS Policy: July 04	*Renewable Resources*: 32% (NCPA Member) *Under Development/Consideration*: Considering a Solar-PV installation at a large customer sites. Researching green tag credits.	n/a
Plumas-Sierra Rural Electric Cooperative RPS Policy: 10/23/03	*Renewable Resources*: 76% - RPS policy objectives encourage the use of renewable energy sources, especially wind and photovoltaics. (NCPA Power Pool Member) *Under Development*: Wind and ground source heat pumps. Plumas-Sierra is focusing on the development of wind power projects in the Pacific NW inside NP 15 and on the PSREC System. Due to the nature of wind farms, it expects these wind farms to come on in significant increments.	Yes – Stated in Policy
Redding (REU) RPS Policy: Jun 03	*Renewable Resources*: 48% - Redding has consistently supported the development of hydroelectric renewable resources through its development of the Whiskeytown hydroelectric project and an ongoing participation in funding for improvement to the Central Valley Project. Approximately $150k of available funds from FY 2003 budget will be reallocated within the REU budget to provide initial funding for the renewables development. Redding mix will have a minimum of 20% renewable resources, including hydroelectric, by Dec. 31, 2017. (NCPA Member) *Resources will include* all Redding-owned or purchased hydroelectricity and renewable technology developed at the retail customer location as a part of the city's Public Benefits Program. Completing feasibility investigation and future development of Solar Thermal Technology and Muni solid waste gas facilities *Under Development/Consideration*: Ground source heat pumps, additional solar installations, possibly wind project, and development of "green buildings."	Yes – Stated in Policy

Roseville RPS Policy: 02/19/03	*Renewable Resources*: 45% - As part of its strategy for meeting RPS objectives, Roseville will increase its renewable resources during the next 5 years by 5 MW – 1MW to be sited in Roseville. Roseville's mix will maintain a minimum of 20% renewable resources, including, hydroelectric. (NCPA Power Pool Member) *Programs*: RE-Green Program - Electric customer can opt to buy 50% or 100% renewable energy for a small additional cost of $0.005 or $0.01 per kilowatt-hour (kWh) respectively or contribute $0.01 per kWh to the RE-Green Fund. Green program energy supplied by geothermal, small hydro and solar installations. All proceeds from RE-Green sales and RE-Green Fund contributions are matched dollar for dollar with RE public benefit funds. The RE-Green Fund invests in new renewable resources sited locally. PV Buydown Program – Roseville Electric offers incentives to make installing and generating PV systems more affordable. *Under Development/Consideration*: Renewable energy credits, landfill gas, photovoltaics, Utility Education Center to provide regional education for resource efficiency and renewable energy.	Yes – Stated in Policy
Santa Clara **Silicon Valley Power (SVP)** RPS Policy: Apr 03	*Renewable Resources*: 76% - SVP currently has a power mix with over twice the amount of renewable energy than the statewide average. In 2003, 26% of SVP resources were from eligible renewable resources compared to 8% statewide. If large hydropower plants were included, SVP's total eligible renewable resources would be 76%. (NCPA Member). *Programs*: Neighborhood Solar Program: Customers may contribute $5.00/month or more toward SVP installing solar-electric systems at non-profit organizations throughout Santa Clara. Industrial customers may also contribute in $1,000 increments. Solar Explorer - Mobile learning center that provides an example of energy efficiency to customers. *Under Development:* Evaluating development/enhancement of SVP-owned land at Altamont Pass and in Solano County.	Yes – Stated in Policy
Truckee Donner Public Utility District RPS Policy: Feb 04	Renewable Resources derived from NCPA geothermal plants and hydroelectric facilities. Additional potential through NCPA to share in ownership of a qualifying facility. (NCPA Member) *Programs*: TDPUD has implemented a solar PV and geothermal heat pump demonstration project using Public Benefit Funds. Housing stock is expected to increase 25% in the next 10 years. Demo solar and geothermal projects installed in a small percent of projected new homes will provide additional renewable resources. *Under Development*: Solar and ground source heat pumps, installations. Wind contract under negotiation. "Green building" development. In addition, TDPUD is participating in State-funded evaluation of the potential for California's public utilities to use renewable energy resources. TDPUD is assisting in development of future 15kW biomass demo project in Truckee (Spring 2004). A feasibility study is underway to assess economics of siting a 3-4 MW biomass plant in Truckee.	Yes – Stated in Policy
Turlock Irrigation RPS Policy: Feb. 04	*Renewable Resources*: 35-40% of renewable energy from Don Pedro (hydroelectric plant) and at other district-owned facilities, including small-scale power plants on irrigation canals and two natural gas-fired turbine-generating plants within its service area. The rest of its energy is purchased under long-and short- term energy contracts. (NCPA Member) *Under Development/Consideration*: Solar/PV installations. "Green building" development.	Yes – Stated in Policy

Ukiah Utilities RPS Policy: Dec. 03	*Renewable Resources*: Over 80% - NCPA geothermal plants (50%) and hydroelectric (32%). Additional potential through NCPA to share in ownership of a qualifying facility. Proactive in the use of renewable energy. Currently, the city exceeds the state mandate. (NCPA Power Pool Member) *Programs*: <u>Solar Buy-Back Program</u>: Customers are encouraged to install solar systems to offset their energy use. Ukiah reimburses part of customer's installation costs. *Under Development/Consideration*: Solar /PV rebate program and considering refurbishing a small hydro site.	Yes – Stated in Policy